

Message Text

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PAGE 01 STATE 010272
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TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 010272

FOR EA ONLY, MANILA POUCH CEBU

E.O. 11652: GDS

TAGS: MARR, ENRT, EAGR, RP

SUBJECT: WEEKLY STATUS REPORT - PHILIPPINES

TO : EA - MR. HOLBROOKE

FROM: EA/PHL - BENJAMIN A. FLECK

1. GILLIGAN BRIEFING (CONFIDENTIAL)

ON JANUARY 5, JIM SARTORIUS AND I BRIEFED AID DIRECTOR GILLIGAN ON THE PHILIPPINE BASE NEGOTIATIONS, IN CONNECTION WITH HIS PROJECTED VISIT TO THE PHILIPPINES. WE SPECIFICALLY DISCUSSED THE PROPOSED ZONE OF ECONOMIC DEVELOPMENT ADJACENT TO THE BASES BUT BECAUSE OF TIME LIMITATIONS THERE WAS NO OPPORTUNITY TO ELICIT GOVERNOR GILLIGAN'S VIEWS ON THE SUBJECT. JACK SULLIVAN, WHO WILL ACCOMPANY GILLIGAN TO MANILA, IS FULLY VERSED ON THE MATTER.

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PAGE 02 STATE 010272

2. AGRICULTURAL TRAINEE PROGRAMS: ONE UNDER ATTACK AND ANOTHER BEING SOUGHT (LIMITED OFFICIAL USE)

THIS MORNING'S NYT (JANUARY 10) CARRIED A LONG ARTICLE REPORTING THAT 70 FILIPINO AGRICULTURAL TRAINEES WORKING IN THE U.S. UNDER A TWO-YEAR PROGRAM SPONSORED BY 4-H AND THE GOP HAVE ASSAILED THE PROGRAM AS PROVIDING NO TRAIN-

ING BUT INSTEAD FUNCTIONING AS A "CHEAP LABOR" SCHEME. SIMILAR COMPLAINTS SURFACED LAST JUNE IN AN AP STORY. THE USG PROVIDES NO FINANCIAL SUPPORT TO THIS PROGRAM, ALTHOUGH CU DOES ASSIST THE NATIONAL 4-H IN OTHER (SHORTER-TERM) FARM EXCHANGES WITH A NUMBER OF COUNTRIES. COINCIDENTALLY, EA/PHL HAS JUST RECEIVED AN EXCHANGE-VISITOR PROGRAM APPLICATION FROM THE FILIPINO BAYANIHAN AGRICULTURAL EDUCATION PROJECT INC., OF STOCKTON, CALIFORNIA, SEEKING THE ESTABLISHMENT OF A U.S. AGRICULTURAL TRAINEE ARRANGEMENT IN COOPERATION WITH THE YOUTH STUDENT TRAVEL OF THE PHILIPPINES. THE PROPOSED PROGRAM APPEARS VERY SIMILAR TO THE 4-H/GOP PROGRAM. THE APPLICATION CARRIES ENDORSEMENTS FROM CAESAR CHAVEZ, REPRESENTATIVE MCFALL OF CALIFORNIA, A MEMBER OF THE CALIFORNIA LEGISLATURE, AND THE CALIFORNIA STATE HEALTH AND WELFARE AGENCY. WE WILL BE MAKING A NUMBER OF INQUIRIES IN VARIOUS QUARTERS PREPARATORY TO WRESTLING WITH THE PROBLEM OF WHETHER OR NOT TO RECOMMEND APPROVAL OF THIS PROGRAM TO CU, AGAINST THE BACKDROP OF AN APPARENT HISTORY OF UNFAVORABLE 4-H EXPERIENCE IN THE SAME SORT OF UNDERTAKING.

3. JUSTICE DEPARTMENT INTEREST IN WESTINGHOUSE NUCLEAR PROJECT (CONFIDENTIAL)

DURING ITS CURRENT REVIEW OF QUESTIONABLE FOREIGN PAY-
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PAGE 03 STATE 010272

MENTS BY A NUMBER OF U.S. CORPORATIONS, THE CRIMINAL FRAUD SECTION OF THE DEPARTMENT OF JUSTICE IS LOOKING INTO THE POSSIBILITY OF IMPROPER ACTIVITIES BY WESTINGHOUSE RELATED TO THE CONSTRUCTION OF A NUCLEAR POWER PLANT IN THE PHILIPPINES FOR THE GOP'S NATIONAL POWER CORPORATION. THE WESTINGHOUSE INVESTIGATION, NOW AT A VERY EARLY STAGE, IS BASED ON VOLUNTARY DISCLOSURES MADE TO THE SEC. JUSTICE'S INTEREST PRECEDED, BUT MAY HAVE BEEN WHETTED BY, A RECENT WASHINGTON POST STORY REPORTING THAT A CLOSE BUSINESS CRONY OF PRESIDENT MARCOS (AND BY IMPLICATION, PERHAPS MARCOS HIMSELF) HAS BENEFITED HANDSOMELY FROM THE PROJECT. IN THE COURSE OF ITS REVIEW, JUSTICE HAS CONTACTED EA/PHL (THOUGH L) AND EXIM FOR BACKGROUND INFORMATION. EXIM BANK'S INVOLVEMENT STEMS FROM ITS FINANCING OF THE PURCHASE OF THE POWER PLANT TO THE TUNE OF MORE THAN DOLS 600 MILLION THROUGH A COMBINATION OF GUARANTEES AND DIRECT LOANS. IN CONNECTION WITH THE EXIM FINANCING, WESTINGHOUSE MUST MAKE PERIODIC STATEMENTS IN SUPPLIERS' CERTIFICATES THAT THE MONEY ADVANCED IS NOT BEING USED FOR QUESTIONABLE PAYMENTS. FOR SOME TIME, EMBASSY MANILA HAS REPORTED ON THE POLITICALLY WELL-CONNECTED PHILIPPINE INTERESTS INVOLVED

IN THIS PROJECT, WHILE NOTING THE LACK OF ANY FIRM INDICATION OF DIRECT KICKBACKS TO SENIOR GOP OFFICIALS.

MEANWHILE, THE WALL STREET JOURNAL RAN A FRONT-PAGE ARTICLE ON JANUARY 12, EXAMINING THE CLOSE RELATIONSHIP TO MARCOS OF THE PHILIPPINE INTERESTS INVOLVED IN THE WESTINGHOUSE PROJECT. A RELATED DEVELOPMENT IS THE RECEIPT BY OES OF A LETTER ADDRESSED TO THE SECRETARY BY CONGRESSMAN CLARENCE LONG, IN WHICH MR. LONG CONDEMNS THE ENTIRE NUCLEAR APPROACH TO DEVELOPMENT OF LDC'S AND ASKS SOME VERY POINTED QUESTIONS ABOUT THE PHILIPPINE PROJECT.

COMMENT: WE ARE WORKING CLOSELY WITH OES, L, JUSTICE, CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 010272

AND THE EX-IM BANK ON THIS CASE. NO EARLY RESOLUTION IS EXPECTED.

4. PHILIPPINE NEWS BURGLARIZED (CONFIDENTIAL)

ALEX ESCLAMADO, PUBLISHER OF THE ANTI-MARCOS PHILIPPINE NEWS IN SAN FRANCISCO TELEPHONED ON JANUARY 12 IN AN AGITATED STATE TO INFORM ME THAT HIS OFFICES HAD JUST BEEN BURGLARIZED. HE IMPLIED, BUT NEVER SPECIFICALLY STATED, THAT HE BELIEVED THIS TO BE THE WORK OF PHILIPPINE GOVERNMENT AGENTS. HE HAD CALLED THE LOCAL POLICE BUT ASKED FOR MY ASSISTANCE IN GETTING THE FBI INVOLVED. I TOLD HIM IT WAS A MATTER FOR THE LOCAL POLICE AND THAT THE FBI WOULD INTERVENE ONLY IF THEY BELIEVED THAT THERE WAS EVIDENCE THAT SOMETHING BEYOND BURGLARY WAS INVOLVED. I ADDED THAT THE SITUATION WAS OUTSIDE OF MY AUTHORITY AND THAT IT WAS UP TO THE POLICE TO DECIDE WHETHER OR NOT TO CALL IN THE FBI. ESCLAMADO DID NOT SPECIFICALLY STATE THAT ANYTHING WAS MISSING FROM HIS OFFICE, ONLY THAT IT HAD BEEN RANSACKED.

COMMENT: THIS INCIDENT IS REMINISCENT OF THE ALLEGED THEFT OF DOCUMENTS AT THE NATIONAL CONVENTION OF THE MOVEMENT FOR A FREE PHILIPPINES IN LOS ANGELES IN 1975. IN THAT CASE, THE FBI DETERMINED THAT NO VIOLATION OF FEDERAL LAW HAD OCCURRED AND LEFT THE CASE IN THE HANDS OF THE LOS ANGELES POLICE, WHO EVENTUALLY DROPPED IT. WE EXPECT THE LOS ANGELES CASE TO BE CITED BY ANTI-MARCOS WITNESSES IN THE FORTHCOMING MCGOVERN HEARING ON ACTIVITIES OF FOREIGN INTELLIGENCE AGENTS IN THE UNITED STATES, AS WILL ESCLAMADO'S EARLIER CHARGES OF HARASSMENT BY GOP AGENTS IN THE FORM OF PRESSURE ON ADVERTISERS IN HIS PAPER. DOUBTLESS, THIS LATEST INCIDENT WILL BE CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 010272

ADDED BY MARCOS OPPONENTS TO THEIR LIST OF ALLEGED
ILLEGAL ACTIVITIES OF GOP AGENTS IN THE U.S.

5. PERSONNEL NOTE (UNCLASSIFIED)

JOSEPH WILLIAMS, FROM EMBASSY MANILA'S ECONOMIC/COMMERCIAL
SECTION, WILL BE IN WASHINGTON FOR CONSULTATION JANUARY 16
AND 17, BEFORE RETURNING TO MANILA AT THE END OF THE
MONTH.

6. PLEASE NOTE FOR EA ONLY CAPTION.

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